

TOYO INK GROUP BERHAD

(Company No. 590521 D)

(Incorporated in Malaysia)

QUARTERLY REPORT

FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

NOTES TO THE FINANCIAL REPORT

A. EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134 (INTERIM FINANCIAL REPORTING)

A1. Basic Of Preparation

The unaudited interim financial statements, for the period ended 30 June 2012, have been prepared in accordance with MFRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standard Board (“MASB”) and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The unaudited interim financial statements should be read in conjunction with the annual audited financial statements of the Group for the financial year ended 31 March 2012. For the periods up and including the year ended 31 March 2012, the Group prepared its financial statement in accordance with the Financial Reporting Statement (“FRS”).

The explanatory notes attached to the interim financial statements provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2012.

A2. Changes in Accounting Policies

The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for year ended 31 March 2012. Except for certain differences, the requirements under FRS and MFRS are similar.

The Group has adopted the MFRS Framework and the MFRS1, First-time Adoption Of Malaysian Financial Reporting Standards for the first time in these condensed consolidated interim financial statements. The transition from FRS to MFRS does not have any material financial impact on the financial statements of the Group.

At the date of authorisation of these financial statements, the following new or revised MFRS, amendments to MFRS and IC Interpretations have been issued but are not yet effective and have not been adopted by the Group and the Company:

**Effective for
financial periods
beginning on
or after**

MFRS, Amendments to MFRS and IC Interpretations

Amendments to MFRS 101 <i>Presentation of items of Other Comprehensive Income</i>	1 July 2012
MFRS 9 <i>Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)</i>	1 January 2013
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosures of Interest in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits</i>	1 January 2013
MFRS 127 <i>Separate Financial Statements</i>	1 January 2013
MFRS 128 <i>Investment in Associates and Joint Ventures</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures-Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014

A3. Auditors' Report

The auditors' report of the preceding annual financial statements was not subject to any qualification.

A4. Seasonal or Cyclical Factors

The Group's operations were not significantly affected by any seasonal or cyclical factors.

A5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review.

A6. Changes in Estimates

There were no changes in estimates of amounts reported in prior interim period which have a material effect on the current interim period.

A7. Issuance or Repayment of Debts and Equity Securities

There is no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current quarter under review.

A8. Dividend

No dividend was paid in the current quarter.

A9. Segmental Reporting**Current Year To Date 30 June 2012**

	Manufacturing RM'000	Trading and investment holding RM'000	Discontinued Operation RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External	13,577	10,659	-	-	24,236
Inter-segment	5,647	492	-	(6,139)	-
Total revenue	19,224	11,151	-	(6,139)	24,236
Results					
Segment results	438	640	-	-	1,078
Finance costs	(352)	(112)	(6)	-	(470)
Share of results in associate	-	-	-	-	-
Taxation					(249)
Non-controlling interest					27
Net profit for the financial period					386
Other Information					
Segment assets	125,795	23,001	5,458	-	154,254
Associate					485
Unallocated corporate assets					17,890
Consolidated total assets					172,629
Segment liabilities	65,303	3,881	165	-	69,349
Unallocated corporate liabilities					33,919
Consolidated total liabilities					103,268
Capital expenditure	2,199	-	-	-	2,199
Depreciation/ amortisation	512	70	87	-	669

Corresponding Year To Date 30 June 2011

	Manufacturing RM'000	Trading and investment holding RM'000	Discontinued Operation RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External	15,769	9,289	-	-	25,058
Inter-segment	6,394	860	-	(7,254)	-
Total revenue	<u>22,163</u>	<u>10,149</u>	-	<u>(7,254)</u>	<u>25,058</u>
Results					
Segment results	457	566	-	-	1,023
Finance costs	(383)	(166)	-	-	(549)
Share of results in associate	-	-	-	-	-
Taxation					(373)
Non-controlling interest					20
Net profit for the financial period					<u>121</u>
Other Information					
Segment assets	116,438	27,040	-	-	143,478
Associate					487
Unallocated corporate assets					18,021
Consolidated total assets					<u>161,986</u>
Segment liabilities	54,088	4,084	-	-	58,172
Unallocated corporate liabilities					35,610
Consolidated total liabilities					<u>93,782</u>
Capital expenditure	36	89	-	-	125
Depreciation/ amortisation	516	64	-	-	580

Geographical Segments

The Group operates in two principal geographical areas, Malaysia and Vietnam. In Malaysia, the Group's operation are mainly production and sale of products. The Group's operation is mainly sale of products in Vietnam.

	Revenue from external customers by location of customers		Segment assets by location of assets		Capital expenditure by location of assets	
	YTD	YTD	YTD	YTD	YTD	YTD
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Continuing operations						
Malaysia	24,236	25,058	149,281	138,322	2,199	125
Vietnam	-	-	-	5,642	-	-
Discontinued operation						
Vietnam	-	-	5,458	-	-	-
	<u>24,236</u>	<u>25,058</u>	<u>154,739</u>	<u>143,964</u>	<u>2,199</u>	<u>125</u>

A10. Valuation of Property, Plant and Equipment

The values of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

The Group did not carry out any valuation on its property, plant and equipment during the current interim period.

A11. Subsequent Material Events

No material events have arisen between the end of the reporting period and the date of issuance of this quarterly report, which will substantially affect the results of the Group.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

A13. Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets since the last annual balance sheet date.

A14. Capital Commitments

	3 months ended 30 June 2012 RM'000
Property, Plant & Machinery:	
- Contracted and not provided for	7,178
Total	<u>7,178</u>

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1. Review of Performance

For the financial quarter ended 30 June 2012, the Group registered revenue of RM24.236 million as compared to RM25.058 million in the previous corresponding quarter.

Despite the decrease in revenue by RM0.822 million (3.3%) as compared the current quarter against the previous corresponding quarter, the Group managed to achieve overall gross profit of RM4.751 million (20%) in the current quarter as compare to RM4.774 million (19%) in the previous corresponding quarter due to better profit margin from the trading segment.

The profit before taxation for the current quarter was higher at RM0.614 million as compared to the profit before taxation of RM0.474 million in the previous corresponding quarter.

In view of the higher margin contributed from trading segment, lower operating expenses and finance cost incurred during the current quarter, the net profits after tax was increased from RM0.101 million in the previous corresponding quarter to RM0.365 million in the current quarter.

Manufacturing Segment

The manufacturing segment contributed revenue of RM19.224 million and a gross return of RM0.438 million in the current quarter ended 30 June 2012 as compared to revenue of RM22.163 million and gross segment results of RM0.457 million in the previous corresponding quarter.

Trading and Investment Holding Segments

These segment had contributed revenue of RM11.151 million and a gross return of RM0.640 million in the current quarter ended 30 June 2012 as compared to revenue of RM10.149 million and gross return of RM0.566 million in the previous corresponding quarter.

Discontinued Operation

As the Group has decided to dispose of its foreign subsidiary in Vietnam in the financial year ending 31 March 2013, the results from the subsidiary are presented separately on the consolidated statement of comprehensive income as discontinued operation.

The segment loss from this discontinued operation was RM6,000 during the current quarter.

B2. Material Changes in the Profit Before Taxation for the Quarter Reported On as Compared with the Immediate Preceding Quarter

A profit before taxation of RM0.614 million was recorded in the current quarter as compared to the profit before taxation of RM0.790 million in the immediate preceding quarter.

The adverse performance was due to lower profit margin from the manufacturing segment during the current quarter as compared to immediate preceding quarter. In addition, the lower profit before taxation was partly attributed to the higher operating expenses incurred during the financial quarter.

B3. Prospects

The Board of Directors is confident of achieving better performance for the financial year ending 31 March 2013 in view of various actions taken by the Group to improve the production efficiency as well as the encouraging demand from domestic market.

B4. Statement of the Board of Directors' Opinion

Not applicable as the Group did not announce or publish any revenue or profit estimate, forecast, projection or internal target for the financial year.

B5. Profit Forecast and Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in a public document.

B6. Taxation

INDIVIDUAL	QUARTER	CUMULATIVE	QUARTER
Current	Corresponding	Current	Corresponding
quarter	quarter	year to date	year to date
ended	ended	ended	ended
30/06/2012	30/06/2011	30/06/2012	30/06/2011
RM'000	RM'000	RM'000	RM'000

Malaysia Income Tax

-Provision for the period (182) (296) (182) (296)

Deferred Taxation

-Provision for the period (67) (77) (67) (77)

(249) (373) (249) (373)

The effective rate of tax applicable to the Group for the current year to date is higher than Malaysia statutory tax rate mainly due to certain expenses not deductible for tax purposes.

B7. Status of Corporate Proposals

Save as disclosed, there were no corporate proposals announced or not completed as at the date of this report:-

On 10 August 2012, OSK Investment Bank Berhad had announced on behalf of the Company that Toyo Ink Group Berhad ("TIGB") was proposing to undertake the following corporate proposals:-

- (i) A proposed renounceable rights issue of up to 42,800,000 new ordinary shares of RM1.00 each in TIGB ("Rights Shares") together with up to 42,800,000 free new detachable warrants ("Warrants") at an issue price of RM1.20 per Rights Share on the basis of one (1) Rights Share together with one (1) free Warrant for every one (1) existing ordinary share of RM1.00 each held in TIGB ("TIGB Share" or "Share") at an entitlement date to be determined and announced later ("Entitlement Date") ("Proposed Rights Issue with Warrants");
- (ii) A proposed bonus issue of up to 21,400,000 TIGB Shares to be credited as fully paid-up on the basis of one (1) new TIGB Share ("Bonus Share") for every two (2) Rights Shares subscribed by the existing shareholders of TIGB and/or their renounee(s) pursuant to the Proposed Rights Issue with Warrants ("Proposed Bonus Issue");

- (iii) A proposed increase in the authorised share capital of TIGB from RM50,000,000 comprising 50,000,000 TIGB shares to RM250,000,000 comprising 250,000,000 TIGB shares (“Proposed Increase in the Authorised Share Capital”); and
- (iv) A proposed amendment to the Company’s Memorandum and Articles of Association as a consequence of the Proposed Rights Issue with Warrants, Proposed Bonus Issue and Proposed Increase in the Authorised Share Capital (“Proposed M&A Amendment”).

(Collectively referred to as the “Proposals”)

The Proposals are now pending approval from the following parties:-

- (i) Bursa Securities for the following:-
 - (a) the admission of the Warrants to be issued pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities;
 - (b) the listing of and quotation for the Rights Shares and Warrants to be issued pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities;
 - (c) the listing of and quotation for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue on the Main Market of Bursa Securities; and
 - (d) the listing of and quotation for the new TIGB Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.
- (ii) Controller of Foreign Exchange (via Bank Negara Malaysia) for the issuance of Warrants to non-resident shareholders pursuant to the Proposed Rights Issue with Warrants;
- (iii) the shareholders of TIGB for the Proposals at an extraordinary general meeting to be convened; and
- (iv) the approval of any other relevant authorities or parties, if required.

B8. Borrowings

The Group’s borrowings as at the end of the reporting quarter are as follows:

	RM’000
Short term borrowings	
Unsecured	
Bankers’ acceptances	5,095
Bank overdrafts	4,768
	9,863
Secured	
Bankers’ acceptances	13,252
Bank overdrafts	5,075
Term loan	176
	18,503
Long term borrowings	
Secured	
Term Loan	484
Total	28,850

B9. Material Litigations

There were no material litigations as at the date of this quarterly report.

B10. Dividend

The Board does not recommend any dividend for the current quarter under review.

B11. Realised/unrealised profit/(losses)

	As at 30/06/2012 RM'000	As at 31/03/2012 RM'000
Total retained earnings of the Group:		
- Realised	20,827	20,375
- Unrealised	(2,699)	(2,632)
	18,128	17,743
Add: Consolidation adjustment	114	114
Total group retained profits as per consolidated financial statements	18,242	17,857

B12. Disclosures of derivatives

There were no outstanding derivatives as at 30 June 2012.

B13. Gain/Losses Arising from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of the financial liabilities for the current quarter ended 30 June 2012.

B14. Notes to the condensed consolidated Income Statement

Profit before taxation is arrived at after charging the following items:

	Individual quarter ended 30/06/2012 RM'000	Cumulative quarter ended 30/06/2012 RM'000
Interest income	-	-
Other income	72	72
Interest expense	429	429
Depreciation and amortization of property, plant and equipment	669	669
Foreign exchange loss	68	68

Save as disclosed above, the other items as required under Appendix 9B, Part A Note 16 of the Bursa Listing Requirements are not applicable.

B15. Earnings Per Share

- i. Basic earnings per share is calculated by dividing the profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the financial period.

	INDIVIDUAL Current quarter ended 30/06/2012 RM'000	QUARTER Corresponding quarter ended 30/06/2011 RM'000	CUMULATIVE Current year to date ended 30/06/2012 RM'000	QUARTER Corresponding year to date ended 30/06/2011 RM'000
Profit / (Loss) attributable to shareholders	386	121	386	121
Weighted average number of ordinary shares in issue	42,800	42,800	42,800	42,800
Basic earnings per share (sen)				
From continuing operations	0.91	0.28	0.91	0.28
From discontinued operation	(0.01)	-	(0.01)	-
	0.90	0.28	0.90	0.28

- ii. The Company does not have any dilutive potential ordinary shares. Accordingly, the diluted earnings per share are not presented.

By Order of the Board,

Chow Chooi Yoong
Company Secretary

Dated 27 August 2012